NJDPB
Explore Your Benefits

NJDCRP
New Jersey Defined
Contribution Retirement Plan

Where will retirement take you?

Putting bonds in 'the investment spotlight'

As a **New Jersey Defined Contribution Retirement Plan (NJDCRP)** participant, you probably know that it's important to review your plan investment options on a regular basis—and to make any necessary changes. You also are probably aware that throughout the retirement planning process, asset allocation and diversification are two investment strategies that can help you along the way. But while reviewing your investments is key, it's equally important to understand how those investments work.

In our First Quarter 2020 newsletter, we told you that this year, each of your NJDCRP quarterly statement inserts would include a section entitled "The Investment Spotlight," which will focus on one particular type of asset class—including stocks, bonds and stable value investments. Last quarter's statement insert focused on stocks. This quarter, we're turning our attention to bonds.

Investment Spotlight on Bonds

One of the asset classes available to you as an NJDCRP participant is bonds—which may also be referred to as fixed income investments. But *how* do they work?

Fixed income investments invest in corporate and government bonds. The value of bonds can go up or down in value each day. But it's important for you to know that bonds tend to carry less market risk* than stocks, and more market risk than stable value investments—although bonds tend to offer more opportunity for return than stable value investments, and less opportunity for return than stocks.

* Market risk refers to the possibility that investors will lose money due to the decline in the price of their investments.

How Should You Invest *Your* Money?

Only you can decide—and how you invest your money may change over time. But here's one thing that most financial professionals agree on: In order to reach their long-term financial goals, retirement investors should consider choosing an assortment of investment options that have good long-term growth potential, but that are in line with their long-term goals and objectives. Your Prudential retirement counselor can help you learn more about investments—and which ones might be right for you.

Asset allocation and diversification defined

Asset allocation—the process of spreading your money across different kinds of asset classes, such as stocks, bonds and stable value investments.

(By dividing your plan dollars among a variety of investment classes, you minimize your reliance on any one investment and help yourself manage your investment risk.)

Diversification**—an investment strategy that takes asset allocation one step further by investing in a variety of investments within each asset class—for example, large-cap vs. small-cap, growth vs. value, etc.

(Diversification spreads risk around and helps even out the return of an asset class even though its individual investments may move up and down over time.)

** Keep in mind that application of asset allocation and diversification concepts does not ensure a profit or protect against loss in a declining market. You can lose money by investing in securities.

Understand what market volatility really is (and means)

It might sound scary, but "volatility" simply refers to a change in prices. It's normal and happens over time — it's not necessarily a cause for panic, and it's something you should consider when developing your long-term strategy.

Think of it like weather: If we expect only sun, and base all our plans on that, we're setting ourselves up for failure because there's always a chance of rain.

Start by understanding that the prices of stocks and bonds will go up and down, and that there are some things you can do with that in mind.

If you need some help making sense of it all, contact your Prudential retirement counselor, or visit **www.prudential.com/njdcrp**.

Put yourself in the driver's seat

It's quick and easy to take control of your plan investments

As a participant in the NJDCRP, you automatically have 5.5% of your base salary contributed to your NJDCRP account—along with a 3% employer contribution.

But while you can't control your contribution level, you can control how the money in your account is invested, by either:

- Choosing your own investments; or
- Enrolling in GoalMaker®, which simplifies the investment selection process and automatically rebalances your investments quarterly.

Log in to your account at **www.prudential.com/njdcrp** and choose your investments. Or, if you've done so already, review your chosen funds to make sure they're still appropriate for you.

RMDs waived for 2020

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which was designed to provide financial relief for the economic downturn caused by the Coronavirus (COVID-19) pandemic, was signed into law on March 27, 2020. The legislation allows for required minimum distributions (RMDs) from retirement plans to be waived for 2020, starting with the February 2020 RMDs. Any retiree who normally takes an RMD from their plan account, or who was required to begin taking RMDs this year, no longer needs to withdraw money from their account this year.

If you have any questions, call **866-NJDCRP1** (866-653-2771) toll-free for assistance.

Get the help you need from your Prudential retirement counselor

Personal assistance—at no extra cost

When it comes to retirement planning, if you have questions, your Prudential retirement counselor can help you get the answers you need. Be sure to reach out to one of our knowledgeable retirement counselors *today.*

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Plan information can be obtained by calling **866-NJDCRP1** (866-653-2771) toll-free or by visiting **www.prudential.com/njdcrp**.

NJDPB Pensions & Benefits
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Amounts withdrawn are subject to income taxes. Withdrawals before age 59½ may also be subject to a 10% federal income-tax penalty and plan restrictions. Neither Prudential Financial nor any of its affiliates provide tax or legal advice, for which you should consult your qualified professional.

GoalMaker's model allocations are based on generally accepted financial theories that take into account the historic returns of different asset classes. But, of course, past performance of any investment does not guarantee future results. Participants should consider their other assets, income and investments (e.g. equity in a home, Social Security benefits, individual retirement plan investments, etc.) in addition to their interest in the plan, to the extent those items are not taken into account in the model. Participants should also periodically reassess their GoalMaker investments to make sure their model portfolio continues to correspond to their changing attitudes and retirement time horizon.

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